

SEARLE

Research in the service of mankind



MEDICAL SCIENCE OF TOMORROW

Half Yearly Report
December 2018

CONTENTS

Company Information	02
Directors' Report to the Members	03
Directors' Report to the Members (Urdu)	08
Auditors' Report to the Members	09
Unconsolidated Condensed Interim Statement of Financial Position	10
Unconsolidated Statement of Profit or Loss and Other Comprehensive Income	11
Unconsolidated Condensed Interim Statement Of Changes In Equity	12
Unconsolidated Condensed Interim Cash Flow Statement	13
Selected Notes to the Unconsolidated Condensed Interim Financial Statements - Unaudited	14
Consolidated Condensed Interim Financial Information	30

COMPANY INFORMATION

Board of Directors

Mr. Adnan Asdar Ali Chairman
Mr. Rashid Abdulla
Mr. Husain Lawai
Mr. S. Nadeem Ahmed Chief Executive Officer
Mr. Zubair Razzak Palwala
Mr. Ayaz Abdulla
Mr. Asad Abdulla

Board of Audit Committee

Mr. Husain Lawai Chairman
Mr. Adnan Asdar Ali Member
Mr. Asad Abdulla Member

Board of HR & Remuneration Committee

Mr. Husain Lawai Chairman
Mr. Adnan Asdar Ali Member
Mr. Ayaz Abdulla Member
Mr. Asad Abdulla Member

Chief Financial Officer

Mr. Mobeen Alam

Company Secretary

Mr. Zubair Razzak Palwala

Auditors

A. F. Ferguson & Co.

Legal Advisors

Mohsin Tayebaly & Co.

Bankers

Albaraka Bank (Pakistan) Limited
Askari Bank Limited
Bank Al Habib Limited
Bank Alfalah Limited
Bank of Punjab
Dubai Islamic Bank Pakistan Limited
Faysal Bank Limited
Habib Bank Limited
Habib Metropolitan Bank Limited
MCB Bank Limited
Meezan Bank Limited
National Bank of Pakistan
Silk Bank Limited
Soneri Bank Limited
Standard Chartered Bank (Pakistan) Limited
Summit Bank Limited

Registered Office

First Floor, N.I.C. Building, Abbasi Shaheed Road, Off: Shahrah-e-Faisal, Karachi.

Share Registrar

Central Depository Company of Pakistan Limited Head Office, CDC House, 99-B, Block 'B' S.M.C.H.S., Main Shahrah-e-Faisal Karachi - 74400

DIRECTORS' REPORT TO THE MEMBERS

We are pleased to present the unconsolidated interim financial information of your Company for the half year ended December 31, 2018. These financial statements have been prepared in accordance with the requirements of the International Accounting Standard (IAS) 34 – 'Interim Financial Reporting' and the provisions of the directives issued under the Companies Act, 2017.

MARKET OVERVIEW

The size of the pharmaceutical industry in Pakistan is currently approximately US\$3.1 billion, with an annual growth rate of approximately 15%. There are more than 700 pharmaceutical manufacturing units in Pakistan, exporting products worth over US\$200 million to more than 60 countries.

The recent economic conditions have raised challenges on the industry as a whole. It is a fact hidden from none that the chemical industry of Pakistan has capacity constraints to develop basic components required for manufacturing drugs. Therefore, the industry resorts to import of raw materials. Due to this significant dependability, fluctuation in exchange rates coupled with stiff price regulations directly affect the product margins and consequent commercial feasibility. Pakistani rupee has recently experienced double-digit depreciation which has put the pharma industry under immense pressure.

OPERATING RESULTS

	December 31,	
	2018	2017
	(Rupees in thousand)	
Revenue	6,931,040	6,148,869
Cost of sales	(4,544,193)	(3,806,360)
Gross Profit	2,386,847	2,342,509
Operating expenses	(2,143,050)	(1,897,376)
Other operating expenses	(83,739)	(108,385)
Other income	1,580,955	1,646,097
Profit from operations	1,741,013	1,982,845
Finance cost	(213,666)	(78,157)
Profit before tax	1,527,347	1,904,688
Income tax expense	(71,922)	(98,234)
Profit after taxation	1,455,425	1,806,454

Searle is a Company that has always focused on improving the lives of patients by offering quality healthcare solutions. We have built a firm growing position by putting the benefit of patients and stakeholders, our fundamental priority and are proud of the impact of our efforts.

During the period ended December 31, 2018, the company's financial performance was affected by the exchange rate fluctuations. However, despite the challenging economic conditions, Searle managed to continue its momentum.

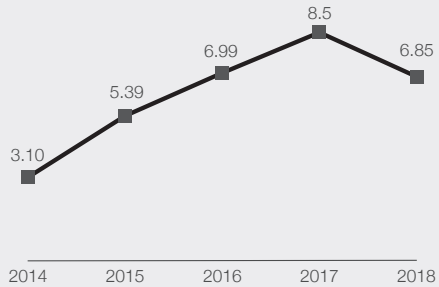
Financial highlights are summarized below:

- Net sales of the Company grew by 13% to Rs 6.9 billion.
- Gross profit margin was 34%.
- Operating profit margin was 25%
- Profit before and after taxation was 22% and 21% respectively.

EARNINGS PER SHARE

Basic earnings per share after taxation for the period was Rs. 6.85 (2017: Rs. 8.50).

There is no dilution effect on the basic earnings per share of the Company, as the Company has no convertible dilutive potential ordinary shares outstanding as at December 31, 2018.



FUTURE OUTLOOK

In order to enhance long-term shareholder value and to drive future growth and profitability, Searle has embarked on multiple initiatives both, locally and globally. We are strengthening with every passing day and are on our way to attain leadership position in key markets and business segments.

In the local market, the therapeutic areas which Searle has over the years strengthened include cardiovascular, cold & cough, diabetes, infant formula, pro-biotic and antibiotics. Moving forward, we are focusing on enhancing the share of specialty generic branded portfolio and targeting differentiated products.

For the longer run, Searle is focusing on emerging portfolios including, bio-similars, medical devices, nutraceuticals and genome sciences

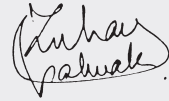
ACKNOWLEDGEMENT

At Searle, we all are emotionally motivated and willing to contribute enthusiastically on continuous basis. Same is the case with our partners, suppliers and customers, for which we are thankful and expect the same zeal and zest for future contribution. We assure, Searle will continue to work hard to provide long term sustainable growth to everyone associated with us.

For and on behalf of the Board



Syed Nadeem Ahmed
Chief Executive Officer



Zubair Razzak Palwala
Director

Karachi:
February 28, 2019

مستقبل پر ایک نظر

طویل المدتی شیئر ہولڈر ویلیو میں اضافے اور مستقبل کی ترقی اور منافع جات کی غرض سے سرل مقامی اور عالمی دونوں سطح پر کثیر اقدامات انجام دے رہی ہے۔ ہم گزرتے ہوئے ہر دن کے ساتھ مضبوط پورے ہیں اور اہم مارکیٹوں اور کاروباری شعبوں میں سرکردہ پوزیشن کے حصول کی طرف گامزن ہیں۔

پاکستانی مارکیٹ میں وہ بنیادی علاج معالجے کے شعبے جن میں سرل گزشتہ سالوں کے دوران مستحکم ہوئی ہے، کارڈیوویسکولر، کولڈ وکف، ذیابیطس، شیرخوار بچوں کا فارمولا، پرو بائیوٹک اور اینٹی بائیوٹک شامل ہیں۔ مستقبل میں ہم اسپیشلٹی جنیرک برانڈ کے پورٹ فولیو میں اپنا حصہ بڑھانے اور منفرد مصنوعات کی طرف اپنی توجہ کو مرکوز کئے ہوئے ہیں۔

آنے والے سالوں میں سرل ابھرتے ہوئے پورٹ فولیو بشمول بائیو-سمیلرز، میڈیکل ڈیوائسز، نیوٹرا سیوٹیکلز اور جینیوم سائنسز پر خصوصی توجہ دے رہی ہے۔

اظہارِ تشکر

سرل میں ہم سب جذباتی طور پر ملحوظ و متحرک ہیں اور مستقل بنیاد پر پُر عزم شراکت کر رہے ہیں۔ یہی شیوہ ہمارے شراکت کار، سپلائرز اور صارفین، کا بھی ہے جس کیلئے ہم ان کے شکرگزار ہیں اور توقع کرتے ہیں کہ اسی لگن کے ساتھ وہ مستقبل میں بھی شریک کار رہیں گے۔ ہم یقین دلاتے ہیں کہ سرل اپنی کوششیں جاری رکھے گی اور ہم سے منسلک تمام شراکت کاروں کے لئے طویل المدتی ترقی فراہم کرے گی۔

بحکم بورڈ



زبیررزاق پال والا

ڈائریکٹر



سید ندیم احمد

چیف ایگزیکٹو آفیسر

کراچی

28 فروری 2019

سرل ایک ایسی کمپنی ہے کہ جس نے ہمیشہ اعلیٰ معیار کی ہیلتھ کیئر خدمات کے ذریعے مریضوں کی زندگی کو بہتر بنانے کی کوشش کی ہے۔ مریضوں اور شیئر ہولڈرز کے مفادات کو اپنی بنیادی ترجیح بنانے ہوئے ہم نے ایک مستحکم اور مستند پوزیشن حاصل کر لی ہے اور ہم اپنی کوششوں سے حاصل ہونے والے اثرات پر فخر کرتے ہیں۔

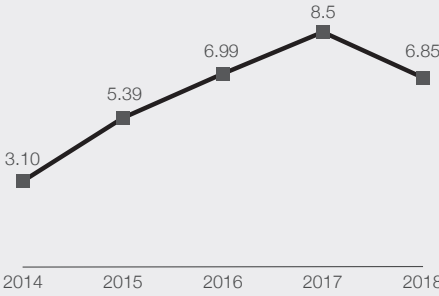
31 دسمبر 2018 کو ختم ہونے والی ششماہی مدت میں کمپنی کی کارکردگی غیر ملکی کرنسی کے تبادلے میں اتار چڑھاؤ کی وجہ سے متاثر ہوئی۔ مگر اقتصادی بحران کے باوجود سرل اپنے ہدف کی طرف گامزن رہی۔

مالیاتی جھلکیاں درج ذیل ہیں:

- کمپنی کی سیلز میں 13 فیصد کا اضافہ ہوا اور کمپنی کی سیلز 6.9 بلین روپے
- مجموعی منافع کی شرح 34 فیصد رہی
- آپریٹنگ منافع جات کی شرح 25 فیصد رہی
- منافع قبل از ٹیکس اور بعد از ٹیکس کی شرح 22 اور 21 فیصد بالترتیب رہی۔

آمدنی فی شیئر

بنیادی آمدنی فی شیئر بعد از ٹیکس 6.85 روپے تھی (8.5 روپے: 2017)۔



کمپنی کی بنیادی آمدنی فی حصص پر ڈائلیوشن کا کوئی اثر نہیں پڑا کیونکہ کمپنی کے 31 دسمبر 2018 کو کوئی کنورٹبل ڈائیلیٹیو پوٹینشل آرڈیزی شیئرز باقی نہیں تھے۔

ڈائریکٹرز کی رپورٹ

ہم آپ کی کمپنی کی 31 دسمبر 2018 کو ختم ہونے والی ششماہی مدت کے انفرادی مالیاتی حسابات پیش کرتے ہوئے خوشی محسوس کرتے ہیں۔ یہ مالیاتی حسابات انٹرنیشنل اکاؤنٹنگ اسٹینڈرڈ 'Interim Financial Reporting' - (IAS-34) اور کمپنیز ایکٹ 2017 کے تحت جاری کردہ ہدایات کے مطابق تیار کئے گئے ہیں۔

جائزہ

پاکستان میں فارماسیوٹیکل کی صنعت کا حجم موجودہ طور پر لگ بھگ 3.1 بلین امریکی ڈالر اور سالانہ شرح نمو تقریباً 15 فیصد ہے۔ پاکستان میں 700 سے زائد فارماسیوٹیکل مینوفیکچرنگ یونٹس ہیں جو کہ 20 سے زائد ممالک میں 200 ملین امریکی ڈالر سے زائد مالیت کی مصنوعات درآمد کر رہے ہیں۔

حالیہ اقتصادی صورتحال نے مجموعی طور پر صنعت کے لئے مزید چیلنجز کھڑے کر دیئے ہیں۔ یہ حقیقت کسی سے پوشیدہ نہیں ہے کہ پاکستان کی کیمیکل انڈسٹری ادویات کی تیاری کے لئے درکار بنیادی اجزاء کو تیار کرنے کے ضمن میں مقررہ گنجائش نہیں رکھتی، لہذا صنعت کو خام مال درآمد کرنا پڑتا ہے۔ غیرملکی درآمدات پر انحصار کے باعث اور زرمبادلہ کے نرخوں میں اتار چڑھاؤ سے قیمتیں برقرار رکھنے میں دشواری کے باعث پروڈکٹس کی شرح منافع اور کمرشل فیزیبلٹی براہ راست متاثر ہوتی ہے۔ پاکستانی روپے کی گرتی قدر سے فارما انڈسٹری کو بے پناہ پریشر کا سامنا کرنا پڑا ہے۔

31 دسمبر		آپریٹنگ نتائج
2017	2018	
		آمدنی
6,148,869	6,931,040	فروخت کے اخراجات
(3,806,360)	(4,544,193)	مجموعی آمدنی
2,342,509	2,386,847	آپریٹنگ اخراجات
(1,897,376)	(2,143,050)	دیگر آپریٹنگ اخراجات
(108,385)	(83,739)	دیگر آمدنی
1,646,097	1,580,955	آپریٹنگ سے آمدنی
1,982,845	1,741,013	فنانس کی لاگت
(78,157)	(213,666)	آمدنی قبل از ٹیکس
1,904,688	1,527,347	ٹیکسیشن
(98,234)	(71,922)	آمدنی بعد از ٹیکس
1,806,454	1,455,425	

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF THE SEARLE COMPANY LIMITED

Report on review of Interim Financial Statements

Introduction

We have reviewed the accompanying unconsolidated condensed interim statement of financial position of The Searle Company Limited as at December 31, 2018 and the related unconsolidated condensed interim statement of profit or loss and other comprehensive income, unconsolidated condensed interim statement of changes in equity, and unconsolidated condensed interim statement of cash flows, and notes to the financial statements for the half year ended (here-in-after referred to as the "interim financial statements"). Management is responsible for the preparation and presentation of this interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these financial statements based on our review. The figures of the unconsolidated condensed interim statement of profit or loss and other comprehensive income for the quarters ended December 31, 2018 and 2017 have not been reviewed, as we are required to review only the cumulative figures for the half year ended December 31, 2018.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying unconsolidated interim financial statements is not prepared, in all material respects, in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting.

The engagement partner on the audit resulting in this independent auditor's report is Farrukh Rehman.



Chartered Accountants
Karachi

Date: February 28, 2019

UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

As at December 31, 2018

	Note	(Un-audited) December 31, 2018	(Audited) June 30, 2018
Rupees in '000			
ASSETS			
Non-current assets			
Property, plant and equipment	5	1,876,968	1,714,141
Investment properties - at cost		2,433,470	2,456,565
Intangible assets		180,143	189,068
Long-term investments - subsidiaries	6	1,686,186	1,686,186
Long-term loans		291	152
Long-term deposits		13,396	7,396
		<u>6,190,454</u>	<u>6,053,508</u>
Current assets			
Inventories		2,439,288	2,294,306
Trade receivables	7	3,798,678	3,290,016
Loans and advances	8	4,952,389	4,327,289
Trade deposits and short-term prepayments		85,425	72,747
Other receivables	9	2,223,472	1,030,134
Taxation - payments less provision		960,222	874,169
Tax refunds due from Government - Sales Tax		-	14,436
Cash and bank balances		140,426	137,036
		<u>14,599,900</u>	<u>12,040,133</u>
Total assets		<u><u>20,790,354</u></u>	<u><u>18,093,641</u></u>
EQUITY AND LIABILITIES			
EQUITY			
Share capital	10	2,124,253	1,847,177
Unappropriated profit		8,241,721	7,981,789
General reserve		280,251	280,251
Share premium		1,630,974	1,630,974
Revaluation surplus on property, plant and equipment		569,160	574,331
		<u>12,846,359</u>	<u>12,314,522</u>
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities		24,178	25,902
Employee benefit obligations		52,050	50,630
		<u>76,228</u>	<u>76,532</u>
Current liabilities			
Trade and other payables	11	3,787,397	2,861,682
Borrowings	12	3,754,570	2,737,763
Sales tax payable		5,209	-
Unpaid dividend	13	317,248	53,654
Unclaimed dividend		3,343	49,488
		<u>7,867,767</u>	<u>5,702,587</u>
Total liabilities		<u>7,943,995</u>	<u>5,779,119</u>
Contingencies and commitments			
Total equity and liabilities	14	<u><u>20,790,354</u></u>	<u><u>18,093,641</u></u>

The annexed notes from 1 to 23 form an integral part of these unconsolidated condensed interim financial statements.


Chief Executive Officer


Director


Chief Financial Officer

UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the half year ended December 31, 2018 - Unaudited

	Note	Quarter ended		Half year ended	
		December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
----- Rupees in '000 -----					
Revenue	15	3,454,898	3,004,693	6,931,040	6,148,869
Cost of sales	16	(2,229,959)	(1,701,578)	(4,544,193)	(3,806,360)
Gross profit		1,224,939	1,303,115	2,386,847	2,342,509
Distribution costs		(922,630)	(790,950)	(1,692,572)	(1,480,705)
Administrative expenses		(237,989)	(250,915)	(450,478)	(416,671)
Other operating expenses		(37,261)	(59,511)	(83,739)	(108,385)
Other income	17	848,421	922,494	1,580,955	1,646,097
Profit from operations		875,480	1,124,233	1,741,013	1,982,845
Finance cost		(115,904)	(42,068)	(213,666)	(78,157)
Profit before income tax		759,576	1,082,165	1,527,347	1,904,688
Income tax expense		(33,943)	(48,098)	(71,922)	(98,234)
Profit for the period		725,633	1,034,067	1,455,425	1,806,454
Other comprehensive income		-	-	-	-
Total comprehensive income for the period		725,633	1,034,067	1,455,425	1,806,454
			(Restated)		(Restated)
Basic and diluted earnings per share (Rupees)	18	3.42	4.87	6.85	8.50

The annexed notes from 1 to 23 form an integral part of these unconsolidated condensed interim financial statements.


Chief Executive Officer


Director


Chief Financial Officer

UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY

For the half year ended December 31, 2018 - Unaudited

	Capital reserves				Revenue reserves			Total
	Share capital	Share premium account	Issue of bonus shares	Revaluation surplus on Property, plant & equipment	General reserve	Unappropriated profits	Total reserves	
----- Rupees in '000 -----								
Balance as at July 01, 2017	1,539,314	1,630,974	-	443,511	280,251	6,474,308	8,829,044	10,368,358
Total comprehensive income for the period	-	-	-	-	-	1,806,454	1,806,454	1,806,454
Transactions with owners								
Transfer to reserve for issue of bonus shares	-	-	307,863	-	-	(307,863)	-	-
Bonus shares issued during the period in the ratio of 20 shares for every 100 shares held	307,863	-	(307,863)	-	-	-	(307,863)	-
Final dividend for the year ended June 30, 2017 @ Rs. 8 per share	-	-	-	-	-	(1,231,451)	(1,231,451)	(1,231,451)
	307,863	-	-	-	-	(1,539,314)	(1,539,314)	(1,231,451)
Transfer of incremental depreciation - net of deferred tax	-	-	-	(585)	-	585	-	-
Balance as at December 31, 2017	1,847,177	1,630,974	-	442,926	280,251	6,742,033	9,096,184	10,943,361
Balance as at July 01, 2018	1,847,177	1,630,974	-	574,331	280,251	7,981,789	10,467,345	12,314,522
Total comprehensive income for the period	-	-	-	-	-	1,455,425	1,455,425	1,455,425
Transactions with owners								
Transfer to reserve for issue of bonus shares	-	-	277,076	-	-	(277,076)	-	-
Bonus shares issued during the period in the ratio of 15 shares for every 100 shares held	277,076	-	(277,076)	-	-	-	(277,076)	-
Final dividend for the year ended June 30, 2018 @ Rs. 5 per share	-	-	-	-	-	(923,588)	(923,588)	(923,588)
	277,076	-	-	-	-	(1,200,664)	(1,200,664)	(923,588)
Transfer of incremental depreciation - net of deferred tax	-	-	-	(5,171)	-	5,171	-	-
Balance as at December 31, 2018	2,124,253	1,630,974	-	569,160	280,251	8,241,721	10,722,106	12,846,359

The annexed notes from 1 to 23 form an integral part of these unconsolidated condensed interim financial statements.


Chief Executive Officer


Director


Chief Financial Officer

UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF CASH FLOWS

For the half year ended December 31, 2018 - Unaudited

	December 31, 2018	December 31, 2017
Note	Rupees in '000	
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash generated from operations	19 285,796	766,713
Employee benefit obligations paid	(830)	(1,417)
Finance cost paid	(170,108)	(63,448)
Income tax paid	(159,699)	(69,453)
(Increase) / decrease in long-term loans	(139)	71
Increase in long-term deposits	(6,000)	(7,853)
Net cash (used in) / generated from operating activities	(50,980)	624,613
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(240,045)	(235,099)
Proceeds from disposal of property, plant and equipment	-	9,296
Payments for investment properties	(3,812)	(14,057)
Purchase of intangibles	(12,440)	(1,058)
Proceeds from disposal of subsidiary company	-	600,278
Investment in subsidiary company	-	(200,000)
Net cash (used in) / generated from investing activities	(256,297)	159,360
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	(706,139)	(1,164,785)
Proceeds from export refinance	100,000	11,000
Proceeds from borrowings - subsidiary	-	200,000
Current portion of long-term loan repaid	(107,143)	(107,142)
Net cash used in financing activities	(713,282)	(1,060,927)
Net decrease in cash and cash equivalents	(1,020,559)	(276,954)
Cash and cash equivalents at beginning of the period	(2,186,442)	(1,052,675)
Cash and cash equivalents at end of the period	(3,207,001)	(1,329,629)

The annexed notes from 1 to 23 form an integral part of these unconsolidated condensed interim financial statements.


Chief Executive Officer


Director


Chief Financial Officer

NOTESTOTHEUNCONSOLIDATEDCONDENSEDINTERIM FINANCIAL STATEMENTS

For the half year ended December 31, 2018 - Unaudited

1. THE COMPANY AND ITS OPERATIONS

- 1.1** The Searle Company Limited (the Company) was incorporated in Pakistan as a private limited company in October 1965. In November 1993, the Company was converted into a public limited company. Its shares are quoted on the Pakistan Stock Exchange. The Company is principally engaged in the manufacture of pharmaceutical and other consumer products. The registered office of the Company is situated at 1st Floor, N.I.C. Building, Abbasi Shaheed Road, Karachi.

International Brands Limited is the holding company, which holds 56.60% shareholding in the Company.

Following are the subsidiary companies:

	Principal place of business	Effective %age of holding	
		December 31, 2018	June 30, 2018
Listed Company			
- IBL HealthCare Limited		74.19%	74.19%
Unlisted Companies			
- Searle Pharmaceuticals (Private) Limited	} Pakistan	100.00%	100.00%
- Searle Laboratories (Private) Limited		100.00%	100.00%
- Searle Biosciences (Private) Limited		100.00%	100.00%
- IBL Identity (Private) Limited		100.00%	100.00%
- IBL Future Technologies (Private) Limited		100.00%	100.00%
- Nextar Pharma (Private) Limited *		85.17%	85.17%

* The Company effectively holds 85.17% (June 30, 2018: 85.17%) shareholding in Nextar Pharma (Private) Limited through Searle Biosciences (Private) Limited.

- 1.2** The Company in its Board of Directors meeting held on January 2, 2018 approved an equity investment of 240,000 euros by subscribing 2,400 shares of 100 euros each i.e. 12% equity in SEARLE-BEL (Belgian company) in Belgium. In this regard, a shareholders agreement dated May 14, 2018 has been entered between IBL Group (the Company, International Brands Limited - Holding company and the relative of a Director) and SPRL VINCRA FOOD. The Belgian company is formed for setting up manufacturing unit in Belgium's Wallonia region for production of Nutraceuticals - a food that supplements diet and assists in disease prevention. The Company is in the process of obtaining approval from the State Bank of Pakistan in respect of the proposed investment.

2. BASIS OF PREPARATION

These unconsolidated condensed interim financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. The accounting and reporting standards as applicable in Pakistan for interim financial reporting comprise of:

- International Accounting Standard (IAS) 34, Interim Financial Reporting, issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and

- Provisions of and directives issued under the Companies Act, 2017.

Where the provisions of and directives issued under the Companies Act, 2017 differ with the requirements of IAS 34, the provisions of and directives issued under the Companies Act, 2017 have been followed.

These unconsolidated condensed interim financial statements do not include all the information required for full financial statements and should be read in conjunction with the annual financial statements for the year ended June 30, 2018.

2.1 Changes in accounting standards, interpretations and pronouncements

a) Standards, interpretations and amendments to published approved accounting standards that are effective and relevant

IFRS 15 'Revenue from contracts with customers' - IFRS 15 replaces the previous revenue standards: IAS 18 Revenue, IAS 11 Construction Contracts, and the related interpretations on revenue recognition.

IFRS 15 introduces a single five-step model for revenue recognition and establishes a comprehensive framework for recognition of revenue from contracts with customers based on a core principle that an entity should recognise revenue representing the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

As a result of application of IFRS 15, bonus stock claims amounting to Rs. 107.84 million (2017: Rs. 101.54 million) treated as Cost of sales have now been reclassified as deductions from Revenue.

b) Standards, interpretations and amendments to published approved accounting standards that are effective but not relevant

There are certain new standards, amendments to the approved accounting standards and new interpretations that are mandatory for accounting periods beginning on or after January 1, 2018, but are considered not to be relevant or have any significant effect on the Company's reporting and are therefore, not disclosed in these unconsolidated condensed interim financial statements.

c) Standards, interpretations and amendments to published approved accounting standards that are not yet effective but relevant

The following is the new standard, amendment to existing approved accounting standards and new interpretations that will be effective for the periods beginning on or after July 1, 2019 that may have an impact on the financial statements of the Company.

IFRS 16 'Leases' - IFRS 16 replaces the previous lease standard: IAS 17 Leases. It will result in almost all leases being recognised on the statement of financial position, as the distinction between operating and finance leases is removed. Under the new

NOTESTOTHEUNCONSOLIDATEDCONDENSEDINTERIM FINANCIAL STATEMENTS

For the half year ended December 31, 2018 - Unaudited

standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short term and low value leases.

Further, IFRS 9 'Financial Instruments' (previously applicable from annual periods beginning on or after July 1, 2018). This standard replaces the guidance in IAS 39. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the current incurred loss impairment model. However, SECP through SRO 229(I)/2019 dated February 14, 2019 has deferred the application of IFRS 9 till June 30, 2019.

The management is in the process of assessing the impact of changes laid down by these standards on its financial statements.

3. SIGNIFICANT ACCOUNTING INFORMATION AND POLICIES

The accounting policies and method of computations adopted in the preparation of these unconsolidated condensed interim financial statements are the same as those applied in the preparation of the financial statements for the year ended June 30, 2018.

4. ACCOUNTING ESTIMATES, JUDGEMENTS AND FINANCIAL RISK MANAGEMENT

The preparation of these unconsolidated condensed interim financial statements in conformity with approved accounting standards requires management to make estimates, assumptions and use judgements that affect the application of policies and reported amounts of assets and liabilities and income and expenses. Estimates, assumptions and judgements are continually evaluated and based on historical experience and other factors, including reasonable expectations of future events. Revisions to accounting estimates are recognised prospectively commencing from the period of revision.

Judgements and estimates made by the management in the preparation of these unconsolidated condensed interim financial statements are the same as those that were applied to financial statements as at and for the year ended June 30, 2018.

The Company's financial risk management objectives and policies are consistent with those disclosed in the financial statements as at and for the year ended June 30, 2018.

(Unaudited) December 31, 2018	(Audited) June 30, 2018
--	-------------------------------

(Rupees in '000)

5. PROPERTY, PLANT AND EQUIPMENT

Operating assets - note 5.1

Capital work-in-progress - at cost

1,710,415	1,412,022
166,553	302,119
<u>1,876,968</u>	<u>1,714,141</u>

5.1 Details of additions in operating assets including transfers from capital work-in-progress during the period are as follows:

	Additions (at cost)		Disposals (at net book value)	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
	----- (Rupees in '000) -----			
Building on leasehold land	96,217	36,548	-	-
Plant and machinery	228,991	128,915	-	-
Furniture and fixtures	544	1,001	-	-
Vehicles	16,754	16,560	-	(4,376)
Office equipment	33,108	7,369	(10)	(4)
	375,614	190,393	(10)	(4,380)

(Unaudited)
December 31,
2018
(Rupees in '000)

(Audited)
June 30,
2018

6. LONG-TERM INVESTMENTS - SUBSIDIARIES

Subsidiary companies - at cost - note 6.1 **1,686,186** 1,686,186

6.1 Subsidiary companies

Note	(Unaudited)		(Audited)	
	December 31, 2018		June 30, 2018	
	Equity % held	Investment at cost	Equity % held	Investment at cost
	(Rupees '000)		(Rupees '000)	

Listed security

IBL HealthCare Limited 40,126,241 (June 30, 2018: 40,126,241) Ordinary shares of Rs. 10 each	6.1.1	74.19%	1,300,911	74.19%	1,300,911
Market price as at December 31, 2018: Rs. 49.96 (June 30, 2018: Rs. 80.23) per share			1,300,911		1,300,911

Unlisted securities

Searle Pharmaceuticals (Private) Limited 40,000 (June 30, 2018: 40,000) Ordinary shares of Rs. 10 each		100%	400	100%	400
Break up value as at December 31, 2018: Rs. 153.05 (June 30, 2018: Rs. 10.77) per share					
Searle Laboratories (Private) Limited 12,500,000 (June 30, 2018: 12,500,000) Ordinary shares of Rs. 10 each		100%	125,000	100%	125,000
Break up value as at December 31, 2018: Rs. 2.64 (June 30, 2018: Rs. 3.81) per share					

7.1 The receivable is stated net of amount payable to IBL Operations (Private) Limited and United Brands Limited - associated companies amounting to Rs. 222.74 million (June 30, 2018: Rs. 338.6 million) and Nil (June 30, 2018: Rs. 5.88 million) respectively.

8. LOANS AND ADVANCES

8.1 This includes interest free loan provided to IBL Identity (Private) Limited - wholly owned subsidiary amounting to Rs. 3,292.68 million as at December 31, 2018 (June 30, 2018: Rs. 2,929.73 million).

8.2 This also includes advance to Searle Biosciences (Private) Limited and Searle Laboratories (Private) Limited - wholly owned subsidiaries and IBL Frontier Markets (Private) Limited - associated company amounting to Rs. 975.5 million (June 30, 2018: Rs. 975.5 million), Nil (June 30, 2018: Rs. 10.25 million) and Rs. 1.95 million (June 30, 2018: Rs. 1.98 million) respectively. These advances are provided for the purpose of financial assistance and are settled in the ordinary course of business.

NOTESTOTHEUNCONSOLIDATEDCONDENSEDINTERIM FINANCIAL STATEMENTS

For the half year ended December 31, 2018 - Unaudited

	(Unaudited) December 31, 2018	(Audited) June 30, 2018
(Rupees in '000)		
9. OTHER RECEIVABLES		
Receivables from related parties		
Due from subsidiary companies:		
- Searle Pharmaceuticals (Private) Limited against dividend income - note 9.1	1,305,906	669,699
- IBL HealthCare Limited against		
• expenses	-	601
• dividend income	39,009	-
- Searle Laboratories (Private) Limited against expenses	425	425
- IBL Future Technologies (Private) Limited against financial assistance	1,949	1,200
- Searle Biosciences (Private) Limited against		
• expenses	124,320	95,944
• dividend income - note 9.1	181,696	54,000
	1,653,305	821,869
Due from associated companies:		
- IBL Operations (Private) Limited against: mark-up on over due balance	26,642	26,642
- International Franchises (Private) Limited against rental income	4,042	4,313
- International Brands Limited against:		
• expenses	15,222	11,412
• rental income	9,102	4,551
	55,008	46,918
Due from other related party:		
- The Home Makers (SMC-Private) Limited (formerly Habitt) against rental income	121,487	98,376
Surplus arising under retirement benefit fund	5,250	5,250
Receivables from other than related parties		
Others, considered good - note 9.2	388,422	57,721
	2,223,472	1,030,134

9.1 This represent dividends receivable from wholly owned subsidiary companies.

9.2 This includes Rs. 318.95 million claimed by the Company from Zhejiang Huahai Pharmaceuticals, China (ZHP) relating to its product “Extor” that contains material supplied by ZHP. On July 12, 2018, the Drug Regulatory Authority of Pakistan in response to a review triggered by the European Medicine Agency (EMA) issuing drug re-call for “Valsartan” containing products due to the presence of cancer causing impurities. Accordingly, the Company re-called finished product “Extor” amounting to Rs. 221.95 million from the local markets and Rs. 97 million from the International markets. The impact of the product re-call has been set off by the claim raised by the Company against ZHP.

Further, the Company has lodged an overall claim of Rs. 881.05 million from ZHP in respect of the overall business loss which has not yet been recorded in these condensed interim financial statements. The Company is in the process of discussion for recovery of the losses from ZHP.

10. SHARE CAPITAL

Issued, subscribed and paid up capital

(Unaudited) December 31, 2018 (Number of shares)	(Audited) June 30, 2018		(Unaudited) December 31, 2018 (Rupees in '000)	(Audited) June 30, 2018
12,553,074	12,553,074	Shares allotted for consideration paid in cash	125,531	125,531
24,000	24,000	Shares allotted for consideration other than cash	240	240
199,848,171	172,140,532	Shares allotted as bonus shares	1,998,482	1,721,406
<u>212,425,245</u>	<u>184,717,606</u>		<u>2,124,253</u>	<u>1,847,177</u>

10.1 Movement in issued, subscribed and paid-up share capital

(Unaudited) December 31, 2018 (Number of shares)	(Audited) June 30, 2018		(Unaudited) December 31, 2018 (Rupees in '000)	(Audited) June 30, 2018
184,717,606	153,931,338	Opening shares outstanding	1,847,177	1,539,314
27,707,639	30,786,268	Share allotted as bonus shares	277,076	307,863
<u>212,425,245</u>	<u>184,717,606</u>		<u>2,124,253</u>	<u>1,847,177</u>

NOTESTOTHEUNCONSOLIDATEDCONDENSEDINTERIM FINANCIAL STATEMENTS

For the half year ended December 31, 2018 - Unaudited

	(Unaudited) December 31, 2018	(Audited) June 30, 2018
(Rupees in '000)		
11. TRADE AND OTHER PAYABLES		
Creditors - note 11.1	1,863,232	983,557
Bills payable in foreign currency	545,351	677,604
Royalty payable	22,847	24,761
Accrued liabilities	895,092	778,521
Payable to provident fund	8,400	7,915
Advance from customers	17,905	29,035
Accrued mark-up	79,017	35,459
Taxes deducted at source and payable to statutory authorities	26,735	69,440
Workers' Profit Participation Fund	252,835	174,379
Workers' Welfare Fund	16,886	14,469
Other liabilities	59,097	66,542
	<u>3,787,397</u>	<u>2,861,682</u>

- 11.1** This includes amount payable to Searle Pharmaceutical (Private) Limited - wholly owned subsidiary amounting to Rs. 1,516.53 million (June 30, 2018: Rs. 755.81 million) on account of contract manufacturing services. This also includes payable to Searle Laboratories (Private) Limited - wholly owned subsidiary amounting to Rs. 26.87 million (June 30, 2018: Rs. 26.87 million).

	(Unaudited) December 31, 2018	(Audited) June 30, 2018
(Rupees in '000)		
12. BORROWINGS		
Secured		
- Running finance under mark-up arrangements - note 12.1 & 12.2	3,347,427	2,323,478
- Export re-finance - note 12.2	100,000	-
- Current portion of long-term borrowing	107,143	214,285
	<u>3,554,570</u>	<u>2,537,763</u>
Unsecured		
Borrowing from IBL Future Technologies (Private) Limited - note 12.3	200,000	200,000
	<u>3,754,570</u>	<u>2,737,763</u>

12.1 The Company has entered into running finance under mark-up arrangements from various banks amounting to Rs. Rs. 3,325 million (June 30, 2018: 2,875 million) which include financing facilities obtained under Islamic mode amounting to Rs. 2,825 million (June 30, 2018: Rs. 2,725 million). The arrangements are secured jointly by registered mortgage of Rs. 325.9 million (June 30, 2018: Rs. 325.9 million) of immovable property together with joint passu charge on all current assets of the Company to the extent of Rs. 2,850 million (June 30, 2018: Rs. 2,850 million) in favour of Standard Chartered Bank (Pakistan) Limited (the lead bank).

12.2 The rates of mark-up ranged between 3% to 9.82% per annum.

12.3 This represents interest free loan obtained from IBL Future Technologies (Private) Limited - wholly owned subsidiary which is repayable on demand.

13. UNPAID DIVIDEND

This includes dividend on bonus shares amounting to Rs. 96.7 million withheld pertaining to 125 shareholders, on which stay from the Honourable High Court of Sindh has been obtained. The amount further includes dividend withheld amounting to Rs. 220.56 million due to non-compliance of certain legal / regulatory requirements by the shareholders.

14. CONTINGENCIES AND COMMITMENTS

14.1 Contingencies

14.1.1 There has been no significant change in the status of contingencies as reported in note 25 of the annual audited financial statements of the Company for the year ended June 30, 2018.

14.2 Commitments

14.2.1 The facility for opening letters of credit and guarantees as at December 31, 2018 amounted to Rs. 1,920 million (June 30, 2018: Rs. 1,905 million) of which the amount remaining unutilised as at the period end amounted to Rs. 958.4 million (June 30, 2018: Rs. 1,527 million).

14.2.2 Future rentals payable against operating lease arrangements

The Company had entered into lease arrangements with Myplan Pharmaceuticals (Private) Limited and S. A. Pharma, a pharmaceutical concern, respectively, for a period of 20 years for land, building and plant and machinery located at Lahore.

During the period, the Company has entered into lease arrangement with First UDL Modaraba for a period of 5 years for land, building and plant and machinery located at Bin Qasim, Karachi.

NOTESTOTHEUNCONSOLIDATEDCONDENSEDINTERIM FINANCIAL STATEMENTS

For the half year ended December 31, 2018 - Unaudited

The details of future rentals payable over the lease period are as follows:

	(Unaudited) December 31, 2018	(Audited) June 30, 2018
	(Rupees in '000)	
Not later than one year	28,568	16,368
Later than one year but not later than five years	141,590	89,201
Later than five years	104,424	114,889
	<u>274,582</u>	<u>220,458</u>
	December 31, 2018	December 31, 2017
	(Rupees in '000)	

15. REVENUE

Gross sales		
Local sales	6,460,995	5,804,919
Export sales	981,151	740,779
	7,442,146	6,545,698
Toll manufacturing	156,727	170,507
	7,598,873	6,716,205
Sales tax	(50,673)	(64,433)
	7,548,200	6,651,772
Less:		
Discounts, rebates and allowances	521,477	357,193
Sales returns	95,683	145,710
	617,160	502,903
	6,931,040	6,148,869

- 15.1** Consequent to Order 4480/2018 dated August 3, 2018 issued by the Honourable Supreme Court of Pakistan, the Drug Regulatory Authority of Pakistan (DRAP) fixed maximum retail price of drugs vide notification S.R.O 1610/2018 dated December 31, 2018. Subsequent to the period end, DRAP vide Notification S.R.O 34(1)/2019 dated January 10, 2019 increased the maximum retail prices of drugs by nine percent over and above the maximum retail prices as determined under hardship category during the year 2018 and fifteen percent over and above existing maximum retail prices determined under Drug Pricing Policy, 2018 for drugs other than those specified under hardship category. Also the Honourable High Court of Sindh vide Order dated January 22, 2019 has disposed of all the legal cases of the Company against DRAP.

In respect of the increased prices as mentioned above, the Company has recently filed appeals with the Appellate Board of DRAP relating to certain of its products where the Company is aggrieved that the prices as per DRAP are not appropriate.

16. COST OF SALES

This includes inventory written-off during the period amounting to Rs. 6.6 million (December 31, 2017: Rs. 0.2 million)

December 31, December 31,
2018 2017
(Rupees in '000)

17. OTHER INCOME

Income from financial assets - related parties **Dividend income - subsidiary companies**

- IBL HealthCare Limited	39,009	35,625
- Searle Pharmaceuticals (Private) Limited	1,305,906	1,350,173
- Searle Biosciences (Private) Limited	181,696	208,600
	1,526,611	1,594,398

Income from non - financial assets

Gain on disposal of property, plant and equipment	-	4,916
Rental income from investment properties	48,658	38,494
Others	5,686	8,289
	54,344	51,699
	1,580,955	1,646,097

18. BASIC AND DILUTED EARNINGS PER SHARE

Profit for the period	1,455,425	1,806,454
Weighted average number of outstanding shares at the end of the period (in thousand) - Restated	212,425	212,425
Basic and diluted earnings per share (Rupees) - Restated	6.85	8.50

NOTESTOTHEUNCONSOLIDATEDCONDENSEDINTERIM FINANCIAL STATEMENTS

For the half year ended December 31, 2018 - Unaudited

	December 31, 2018	December 31, 2017
	(Rupees in '000)	
19. CASH GENERATED FROM OPERATIONS		
Profit before income tax	1,527,347	1,904,688
Add / (less): Adjustments for non-cash charges and other items		
Depreciation	104,116	80,438
Loss / (Gain) on disposal of property, plant and equipment	10	(4,916)
Amortisation	21,365	18,828
Provision for retirement benefits obligation	2,250	2,700
Finance cost	213,666	78,157
Profit before working capital changes	1,868,754	2,079,895
Effect on cash flow due to working capital changes		
(Increase) / decrease in current assets		
Inventories	(144,982)	(558,722)
Trade receivables	(508,662)	219,716
Loans and advances	(625,100)	(1,390,763)
Trade deposits and short-term prepayments	(12,678)	(44,936)
Other receivables	(1,193,338)	(545,036)
Refund due from Government - sales tax	19,645	-
	(2,465,115)	(2,319,741)
Increase in current liabilities		
Trade and other payables	882,157	1,004,368
Sales tax payable	-	2,191
	882,157	1,006,559
Cash generated from operations	285,796	766,713
20. CASH AND CASH EQUIVALENTS		
Cash and bank balances - note 10	140,426	181,593
Short-term running finances - note 13	(3,347,427)	(1,511,222)
	(3,207,001)	(1,329,629)

21. SEGMENT INFORMATION

The financial information regarding operating segments is as follows:

	Pharmaceutical		Consumer		Total	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
	----- (Rupees in '000) -----					
Segment revenue	6,299,144	5,381,488	631,896	767,381	6,931,040	6,148,869
Segment result	152,071	390,483	91,726	54,650	243,797	445,133
Unallocated income and expenses						
Other expenses					(83,739)	(108,385)
Other income					1,580,955	1,646,097
Finance cost					(213,666)	(78,157)
Profit before income tax					1,527,347	1,904,688
Income tax expense					(71,922)	(98,234)
Total comprehensive income					1,455,425	1,806,454

	Pharmaceutical		Consumer		Total	
	December 31, 2018	June 30, 2018	December 31, 2018	June 30, 2018	December 31, 2018	June 30, 2018
	----- (Rupees in '000) -----					
Segment assets and liabilities						
Segment assets	622,709	395,746	23,209	63,868	645,918	459,614
Unallocated assets					20,144,436	17,634,027
Total assets					20,790,354	18,093,641
Unallocated liabilities	-	-	-	-	7,943,995	5,779,119
Total liabilities					7,943,995	5,779,119

NOTESTOTHEUNCONSOLIDATEDCONDENSEDINTERIM FINANCIAL STATEMENTS

For the half year ended December 31, 2018 - Unaudited

22. TRANSACTIONS WITH RELATED PARTIES

The following transactions were carried out with related parties during the period :

Nature of relationship	Nature of transactions	December 31, 2018	December 31, 2017
(Rupees in '000)			
Holding company	- Corporate service charges	108,000	84,000
	- Rent income	4,551	-
	- Income from provision of amenities	3,810	-
Subsidiaries	- Revenue	121,242	182,925
	- Purchase of consumables	1,703	-
	- Outside processing charges	1,372,740	1,717,268
	- Dividend income	1,526,611	1,594,398
	- Short term loan given	362,950	717,126
	- Short term loan obtained	-	200,000
	- Advance given	-	710,276
Associated companies	- Revenue	5,819,934	5,211,623
	- Salaries and wages	305	547
	- Purchases	2,334	2,008
	- Carriage and duties	28,865	19,716
	- Discounts claimed	289,952	197,079
	- Rent expense	8,175	2,678
	- Rent income	30,711	24,168
	- Income from provision of amenities	4,036	16,135
	- Stock claims	114,565	91,544
	- Internet services	3,089	2,557
	- Architect fee	-	1,568
	- Repair and maintenance	5,893	-
	- ERP maintenance charges	25,072	1,059
	- Donation	5,300	15,000
	- Incentives to field force staff	2,403	3,225
	- Merchandise expense	49,179	-
	- Others	-	549
Staff retirement benefits	- Contributions to Provident Fund	51,669	19,459
	- Benefits paid	33,046	26,011
Key management employees compensation	- Salaries and other employee benefits	78,901	184,627
	- Contributions to Provident Fund	7,796	1,532
	- Directors' fees	15	8
	- Sale of goods	67	57

22.1 The status of outstanding balances with related parties as at December 31, 2018 is included in the respective notes to the financial statements. These are settled in the ordinary course of business.

23. DATE OF AUTHORISATION FOR ISSUE

These unconsolidated condensed interim financial statements were approved and authorised for issue by the Board of Directors of the Company on February 28, 2019.



Chief Executive Officer



Director



Chief Financial Officer

CONSOLIDATED FINANCIAL STATEMENTS

CONTENTS

Directors' Report to the Members	31
Directors' Report to the Members (Urdu)	36
Consolidated Condensed Interim Statement of Financial Position	37
Consolidated Statement of Profit or Loss and Other Comprehensive Income	38
Consolidated Condensed Interim Statement Of Changes In Equity	39
Consolidated Condensed Interim Cash Flow Statement	40
Selected Notes to the Consolidated Condensed Interim Financial Statements - Unaudited	41

DIRECTORS' REPORT TO THE MEMBERS

We are pleased to present the consolidated interim financial information of the holding company for the half year ended December 31, 2018. These financial statements have been prepared in accordance with the requirements of the International Accounting Standard (IAS) 34 – 'Interim Financial Reporting' and the provisions of the directives issued under the Companies Act, 2017.

MARKET OVERVIEW

The size of the pharmaceutical industry in Pakistan is currently approximately US\$3.1 billion, with an annual growth rate of approximately 15%. There are more than 700 pharmaceutical manufacturing units in Pakistan, exporting products worth over US\$200 million to more than 60 countries.

The recent economic conditions have raised challenges on the industry as a whole. It is a fact hidden from none that the chemical industry of Pakistan has capacity constraints to develop basic components required for manufacturing drugs. Therefore, the industry resorts to import of raw materials. Due to this significant dependability, fluctuation in exchange rates coupled with stiff price regulations directly affect the product margins and consequent commercial feasibility. Pakistani rupee has recently experienced double-digit depreciation which has put the pharma industry under immense pressure.

OPERATING RESULTS

	December 31,	
	2018	2017
	(Rupees in thousand)	
Revenue	8,771,527	7,883,351
Cost of sales	(4,351,417)	(3,467,675)
Gross Profit	4,420,110	4,415,676
Operating expenses	(2,620,105)	(2,297,564)
Other operating expenses	(91,321)	(108,385)
Other income	75,449	71,188
Profit from operations	1,784,133	2,080,915
Finance cost	(216,606)	(83,281)
Profit before tax	1,567,527	1,997,634
Income tax expense	(255,636)	(277,724)
Profit after taxation	1,311,891	1,719,910

Searle group has always focused on improving the lives of patients by offering quality healthcare solutions. We have built a firm growing position by putting the benefit of patients and stakeholders, our fundamental priority and are proud of the impact of our efforts.

During the period ended December 31, 2018, the holding company's financial performance was affected by the exchange rate fluctuations. However, despite the challenging economic conditions, holding company managed to continue its momentum.

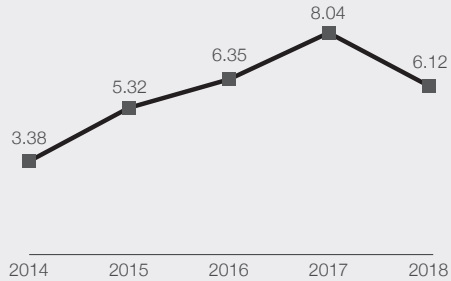
Financial highlights are summarized below:

Net sales of the holding company grew by 11% to Rs 8.77 billion.
 Gross profit margin was 50%.
 Operating profit margin was 20%
 Profit before and after taxation was 18% and 15% respectively.

EARNINGS PER SHARE

Basic earnings per share after taxation for the period was Rs. 6.12 (2017: Rs. 8.04).

There is no dilution effect on the basic earnings per share of the holding Company, as the holding Company has no convertible dilutive potential ordinary shares outstanding as at December 31, 2018.



FUTURE OUTLOOK

In order to enhance long-term shareholder value and to drive future growth and profitability, Searle group has embarked on multiple initiatives both, locally and globally. We are strengthening with every passing day and are on our way to attain leadership position in key markets and business segments.

In the local market, the therapeutic areas which Searle group has over the years strengthened include cardiovascular, cold & cough, diabetes, infant formula, pro-biotic and antibiotics. Moving forward, we are focusing on enhancing the share of specialty generic branded portfolio and targeting differentiated products.

For the longer run, Searle group is focusing on emerging portfolios including, bio-similars, medical devices, nutraceuticals and genome sciences

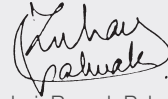
ACKNOWLEDGEMENT

At Searle, we all are emotionally motivated and willing to contribute enthusiastically on continuous basis. Same is the case with our partners, suppliers and customers, for which we are thankful and expect the same zeal and zest for future contribution. We assure, Searle will continue to work hard to provide long term sustainable growth to everyone associated with us.

For and on behalf of the Board



Syed Nadeem Ahmed
Chief Executive Officer



Zubair Razzak Palwala
Director

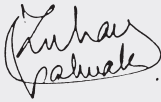
Karachi:
February 28, 2019

مقامی اور عالمی دونوں سطح پر کثیر اقدامات انجام دے رہا ہے۔ ہم گزرتے ہوئے ہر دن کے ساتھ مضبوط ہو رہے ہیں اور اہم مارکیٹوں اور کاروباری شعبوں میں سرکردہ پوزیشن کے حصول کی طرف گامزن ہیں۔ پاکستانی مارکیٹ میں وہ بنیادی علاج معالجے کے شعبے جن میں سرل گروپ گزشتہ سالوں کے دوران مستحکم ہوا ہے، کارڈیوویسکولر، کولڈوکف، ذیابیطیس، شیرخوار بچوں کا فارمولا، پرو بائیوٹک اور اینٹی بائیوٹک شامل ہیں۔ مستقبل میں ہم اسپیشلٹی جنیرک برانڈ کے پورٹ فولیو میں اپنا حصہ بڑھانے اور منفرد مصنوعات کی طرف اپنی توجہ کو مرکوز کئے ہوئے ہیں۔

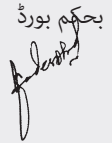
آنے والے سالوں میں سرل گروپ ابھرتے ہوئے پورٹ فولیو بشمول بائیو۔ سمیلرز، میڈیکل ڈیوائسز، نیوٹرا سیوٹیکلز اور جینیوم سائنسز پر خصوصی توجہ دے رہا ہے۔

اظہارِ تشکر

سرل گروپ میں ہم سب جذباتی طور پر ملحوظ و متحرک ہیں اور مستقل بنیاد پر پُر عزم شراکت کر رہے ہیں۔ یہی شیوہ ہمارے شراکت کار، سپلائرز اور صارفین، کا بھی ہے جس کیلئے ہم ان کے شکرگزار ہیں اور توقع کرتے ہیں کہ اسی لگن کے ساتھ وہ مستقبل میں بھی شریک کار رہیں گے۔ ہم یقین دلاتے ہیں کہ سرل گروپ اپنی کوششیں جاری رکھے گا اور ہم سے منسلک تمام شراکت کاروں کے لئے طویل المدتی ترقی فراہم کرے گا۔



زبیررزاق پال والا
ڈائریکٹر



سید ندیم احمد
چیف ایگزیکٹو آفیسر

کراچی

28 فروری 2019

سرل گروپ ایک ایسا گروپ ہے جس نے ہمیشہ اعلیٰ معیار کی ہیلتھ کیئر خدمات کے ذریعے مریضوں کی زندگی کو بہتر بنانے کی کوشش کی ہے۔ مریضوں اور شیئر ہولڈرز کے مفادات کو اپنی بنیادی ترجیح بناتے ہوئے ہم نے ایک مستحکم اور مستند پوزیشن حاصل کر لی ہے اور ہم اپنی کوششوں سے حاصل ہونے والے اثرات پر فخر کرتے ہیں۔

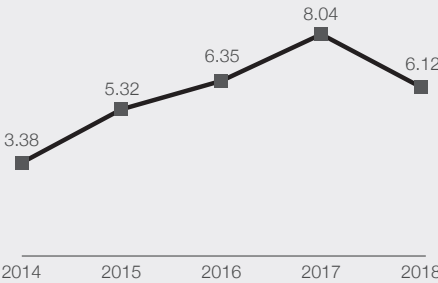
31 دسمبر 2018 کو ختم ہونے والی ششماہی مدت میں ہولڈنگ کمپنی کی کارکردگی غیر ملکی کرنسی کے تبادلے میں اتار چڑھاؤ کی وجہ سے متاثر ہوئی۔ مگر اقتصادی بحران کے باوجود سرل گروپ اپنے ہدف کی طرف گامزن رہا۔

مالیاتی جھلکیاں درج ذیل ہیں:

- ہولڈنگ کمپنی کی سیلز میں 11 فیصد کا اضافہ ہوا اور ہولڈنگ کمپنی کی سیلز 8.77 بلین روپے
- مجموعی منافع کی شرح 50 فیصد رہی
- آپریٹنگ منافع جات کی شرح 20 فیصد رہی
- منافع قبل از ٹیکس اور بعد از ٹیکس کی شرح 18 اور 15 فیصد بالترتیب رہی۔

آمدنی فی شیئر

بنیادی آمدنی فی شیئر بعد از ٹیکس 6.12 روپے تھی (8.04 روپے: 2017)۔



ہولڈنگ کمپنی کی بنیادی آمدنی فی حصص پر ڈائیلیوشن کا کوئی اثر نہیں پڑا کیونکہ ہولڈنگ کمپنی کے 31 دسمبر 2018 کو کوئی کنورٹبل ڈائیلیٹیو پوٹینشل آرڈیزی شیئرز باقی نہیں تھے۔

مستقبل پر ایک نظر

طویل المدتی شیئر ہولڈر ویلیو میں اضافے اور مستقبل کی ترقی اور منافع جات کی غرض سے سرل گروپ

ڈائریکٹرز کی رپورٹ

ہم آپ کی ہولڈنگ کمپنی کی 31 دسمبر 2018 کو ختم ہونے والی ششماہی مدت کے مجموعی مالیاتی حسابات پیش کرتے ہوئے خوشی محسوس کرتے ہیں۔ یہ مالیاتی حسابات انٹرنیشنل اکاؤنٹنگ اسٹینڈرڈ 'Interim Financial Reporting' - (IAS-34) اور کمپنیز ایکٹ 2017 کے تحت جاری کردہ ہدایات کے مطابق تیار کئے گئے ہیں۔

جائزہ

پاکستان میں فارماسیوٹیکل کی صنعت کا حجم موجودہ طور پر لگ بھگ 3.1 بلین امریکی ڈالر اور سالانہ شرح نمو تقریباً 15 فیصد ہے۔ پاکستان میں 700 سے زائد فارماسیوٹیکل مینوفیکچرنگ یونٹس ہیں جو کہ 20 سے زائد ممالک میں 200 ملین امریکی ڈالر سے زائد مالیت کی مصنوعات درآمد کر رہے ہیں۔

حالیہ اقتصادی صورتحال نے مجموعی طور پر صنعت کے لئے مزید چیلنجز کھڑے کر دیئے ہیں۔ یہ حقیقت کسی سے پوشیدہ نہیں ہے کہ پاکستان کی کیمیکل انڈسٹری ادویات کی تیاری کے لئے درکار بنیادی اجزاء کو تیار کرنے کے ضمن میں مقررہ گنجائش نہیں رکھتی، لہذا صنعت کو خام مال درآمد کرنا پڑتا ہے۔ غیرملکی درآمدات پر انحصار کے باعث اور زرمبادلہ کے نرخوں میں اتار چڑھاؤ سے قیمتیں برقرار رکھنے میں دشواری کے باعث پروڈکٹس کی شرح منافع اور کمرشل فیزیبلٹی براہ راست متاثر ہوتی ہے۔ پاکستانی روپے کی گرتی قدر سے فارما انڈسٹری کو بے پناہ پریشی کا سامنا کرنا پڑا ہے۔

31 دسمبر		آپریٹنگ نتائج
2017	2018	
		آمدنی
7,883,351	8,771,527	فروخت کے اخراجات
(3,467,675)	(4,351,417)	مجموعی آمدنی
4,415,676	4,420,110	آپریٹنگ اخراجات
(2,297,564)	(2,620,105)	دیگر آپریٹنگ اخراجات
(108,385)	(91,321)	دیگر آمدنی
71,188	75,449	آپریشنز سے آمدنی
2,080,915	1,784,133	فنانس کی لاگت
(83,281)	(216,606)	آمدنی قبل از ٹیکس
1,997,634	1,567,527	ٹیکسیشن
(277,724)	(255,636)	آمدنی بعد از ٹیکس
1,719,910	1,311,891	

CONSOLIDATED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

As at December 31, 2018

ASSETS	Note	(Un-audited) December 31, 2018	(Audited) June 30, 2018
		Rupees in '000	
Non-current assets			
Property, plant and equipment	5	2,855,746	2,692,524
Investment properties		2,845,296	2,871,818
Intangibles		371,327	384,661
Long-term loans and advances	6	1,762,742	1,657,012
Long-term deposits		29,476	25,177
		7,864,587	7,631,192
Current assets			
Inventories		3,090,514	2,831,232
Trade receivables	7	5,335,909	4,359,858
Loans and advances	8	1,323,477	883,167
Trade deposits and short-term prepayments		93,425	80,409
Interest accrued		6,855	16,208
Other receivables	9	833,169	318,467
Investments - at fair value through profit or loss	10	-	55,782
Tax refunds due from government - Sales tax		5,390	21,723
Taxation - payments less provision		821,892	846,554
Cash and bank balances		235,007	204,660
		11,745,638	9,618,060
Total assets		19,610,225	17,249,252
EQUITY AND LIABILITIES			
EQUITY			
Share capital	11	2,124,253	1,847,177
Unappropriated profit		6,669,890	6,566,207
General reserve		280,251	280,251
Share premium		1,630,974	1,630,974
Revaluation surplus on property, plant and equipment		669,830	675,001
Attributable to owners of			
The Searle Company Limited - Holding Company		11,375,198	10,999,610
Non-controlling interests		449,599	451,963
		11,824,797	11,451,573
LIABILITIES			
Non-current liabilities			
Long-term borrowings		4,664	4,664
Deferred tax liabilities		20,304	22,028
Employee benefit obligations		52,050	50,630
		77,018	77,322
Current liabilities			
Trade and other payables	12	3,733,093	3,073,659
Borrowings	13	3,554,570	2,537,763
Unpaid dividend		356,277	52,259
Unclaimed dividend		64,470	56,676
		7,708,410	5,720,357
Total liabilities		7,785,428	5,797,679
Contingencies and commitments	14		
Total equity and liabilities		19,610,225	17,249,252

The annexed notes from 1 to 24 form an integral part of these consolidated condensed interim financial statements


Chief Executive Officer


Director


Chief Financial Officer

CONSOLIDATED CONDENSED INTERIM PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the half year ended December 31, 2018 - Unaudited

	Note	Quarter ended		Half year ended	
		December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
----- Rupees in '000 -----					
Revenue	15	4,391,161	3,891,678	8,771,527	7,883,351
Cost of sales	16	(2,094,387)	(1,446,656)	(4,351,417)	(3,467,675)
Gross profit		2,296,774	2,445,022	4,420,110	4,415,676
Distribution costs		(995,472)	(906,752)	(1,938,166)	(1,664,032)
Administrative expenses		(401,461)	(402,004)	(681,939)	(633,532)
Other operating expenses		(41,488)	(59,511)	(91,321)	(108,385)
Other income	17	36,162	32,669	75,449	71,188
Profit from operations		894,515	1,109,424	1,784,133	2,080,915
Finance cost		(117,164)	(46,066)	(216,606)	(83,281)
Profit before income tax		777,351	1,063,358	1,567,527	1,997,634
Income tax expense		(146,234)	(145,568)	(255,636)	(277,724)
Profit for the period		631,117	917,790	1,311,891	1,719,910
Other comprehensive income		-	-	-	-
Total comprehensive income for the period		631,117	917,790	1,311,891	1,719,910
Total comprehensive income is attributable to:					
Owners of the The Searle Company Limited - Holding Company		623,267	915,251	1,299,176	1,708,665
Non-controlling interests		7,850	2,539	12,715	11,245
		631,117	917,790	1,311,891	1,719,910
			(Restated)		(Restated)
Basic and diluted earnings per share (Rupees)	18	2.93	4.31	6.12	8.04

The annexed notes from 1 to 24 form an integral part of these consolidated condensed interim financial statements



Chief Executive Officer



Director



Chief Financial Officer

CONSOLIDATED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY

For the half year ended December 31, 2018 - Unaudited

	Capital reserves			Revenue reserves			Non-Controlling interest	Total	
	Share capital	Share premium account	Issue of bonus shares	Revaluation surplus on Property, plant & equipment	General reserve	Unappropriated profits			Sub-Total reserves
(Rupees in '000)									
Balance as at July 01, 2017	1,539,314	1,630,974	-	493,079	280,251	5,424,179	7,828,483	422,687	9,790,484
Total comprehensive income for the period	-	-	-	-	-	1,708,665	1,708,665	11,245	1,719,910
Transactions with owners									
Transfer to reserve for issue of bonus shares	-	-	307,863	-	-	(307,863)	-	-	-
Bonus shares issued during the period in the ratio of 20 shares for every 100 shares held	307,863	-	(307,863)	-	-	-	(307,863)	-	-
Final dividend for the year ended June 30, 2017 @ Rs. 8 per share	-	-	-	-	-	(1,231,451)	(1,231,451)	-	(1,231,451)
Dividend pertaining to non-controlling interests	-	-	-	-	-	-	-	(11,576)	(11,576)
	307,863	-	-	-	-	(1,539,314)	(1,539,314)	(11,576)	(1,243,027)
Transfer of incremental depreciation - net of deferred tax	-	-	-	(585)	-	585	-	-	-
Balance as at December 31, 2017	1,847,177	1,630,974	-	492,494	280,251	5,594,115	7,997,834	422,356	10,267,367
Balance as at July 01, 2018	1,847,177	1,630,974	-	675,001	280,251	6,566,207	9,152,433	451,963	11,451,573
Total comprehensive income for the period	-	-	-	-	-	1,299,176	1,299,176	12,715	1,311,891
Transactions with owners									
Transfer to reserve for issue of bonus shares	-	-	277,076	-	-	(277,076)	-	-	-
Bonus shares issued during the period in the ratio of 15 shares for every 100 shares held	277,076	-	(277,076)	-	-	-	(277,076)	-	-
Final dividend for the year ended June 30, 2018 @ Rs. 5 per share	-	-	-	-	-	(923,588)	(923,588)	-	(923,588)
Dividend pertaining to non-controlling interests	-	-	-	-	-	-	-	(15,079)	(15,079)
	277,076	-	-	-	-	(1,200,664)	(1,200,664)	(15,079)	(938,667)
Transferred from surplus on revaluation of Transfer of incremental depreciation - net of deferred tax	-	-	-	(5,171)	-	5,171	-	-	-
Balance as at December 31, 2018	2,124,253	1,630,974	-	669,830	280,251	6,669,890	9,250,945	449,599	11,824,797

The annexed notes from 1 to 24 form an integral part of these consolidated condensed interim financial statements


Chief Executive Officer


Director


Chief Financial Officer

CONSOLIDATED CONDENSED INTERIM STATEMENT OF CASH FLOWS

For the half year ended December 31, 2018 - Unaudited

	Note	December 31, 2018	December 31, 2017
		(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	19	353,266	1,803,858
Retirement benefit obligations paid		(830)	(1,417)
Finance cost paid		(173,048)	(68,572)
Income tax paid		(232,698)	(191,149)
Interest income received		20,125	10,902
Increase in long-term deposits		(4,299)	(7,853)
Increase in long-term borrowings		(105,730)	(309,311)
Net cash generated from operating activities		(143,214)	1,236,458
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(263,485)	(382,197)
Sale proceeds on disposal of property, plant and equipment		-	9,296
Payments for investment properties		(384)	(14,056)
Purchase of intangibles		(8,629)	(1,988)
Additions to investments - at fair value through profit or loss		-	(120,082)
Proceeds from redemption of investments - at fair value through profit or loss		56,090	215,705
Dividend income received		17	6
Net cash generated from / (used in) investing activities		(216,391)	(293,316)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid		(626,855)	(1,183,618)
Long-term finance paid		-	(127,226)
Current portion of long-term loan repaid		(107,143)	-
Loan from related party		-	5
Proceeds from export refinance		100,000	11,000
Net cash used in financing activities		(633,998)	(1,299,839)
Net decrease in cash and cash equivalents		(993,603)	(356,697)
Cash and cash equivalents at beginning of the period		(2,118,818)	(987,453)
Cash and cash equivalents at end of the period	20	(3,112,421)	(1,344,150)

The annexed notes from 1 to 24 form an integral part of these consolidated condensed interim financial statements


Chief Executive Officer


Director


Chief Financial Officer

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

For the half year ended December 31, 2018 - Unaudited

1. LEGAL STATUS & OPERATIONS

- 1.1** The Searle Company Limited (the Company) was incorporated in Pakistan as a private limited company in October 1965. In November 1993, the Company was converted into a public limited company. Its shares are quoted on the Pakistan Stock Exchange. The Company is principally engaged in the manufacture of pharmaceutical and other consumer products. The registered office of the Company is situated at 1st Floor, N.I.C. Building, Abbasi Shaheed Road, Karachi.

International Brands Limited is the holding company, which holds 56.60% shareholding in the Company.

Following are the subsidiary companies:

	Principal place of business	Effective %age of holding	
		December 31, 2018	June 30, 2018
Listed Company			
- IBL HealthCare Limited		74.19%	74.19%
Unlisted Companies			
- Searle Pharmaceuticals (Private) Limited		100.00%	100.00%
- Searle Laboratories (Private) Limited		100.00%	100.00%
- Searle Biosciences (Private) Limited	Pakistan	100.00%	100.00%
- IBL Identity (Private) Limited		100.00%	100.00%
- IBL Future Technologies (Private) Limited		100.00%	100.00%
- Nextar Pharma (Private) Limited *		85.17%	85.17%

* *The Company effectively holds 85.17% (2018: 85.17%) shareholding in Nextar Pharma (Private) Limited through Searle Biosciences (Private) Limited.*

- 1.2** The Company in its Board of Directors meeting held on January 2, 2018 approved an equity investment of 240,000 euros by subscribing 2,400 shares of 100 euros each i.e. 12% equity in SEARLE-BEL (Belgian company) in Belgium. In this regard, a shareholders agreement dated May 14, 2018 has been entered between IBL Group (the Company, International Brands Limited - Holding company and the relative of a Director) and SPRL VINCRA FOOD. The Belgian company is formed for setting up manufacturing unit in Belgium's Wallonia region for production of Nutraceuticals - a food that supplements diet and assists in disease prevention. The Company is in the process of obtaining approval from the State Bank of Pakistan in respect of the proposed investment.

2. BASIS OF PREPARATION

These condensed interim financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. The accounting and reporting standards as applicable in Pakistan for interim financial reporting comprise of:

- International Accounting Standard (IAS) 34, Interim Financial Reporting, issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

For the half year ended December 31, 2018 - Unaudited

- Provisions of and directives issued under the Companies Act, 2017.

Where the provisions of and directives issued under the Companies Act, 2017 differ with the requirements of IAS 34, the provisions of and directives issued under the Companies Act, 2017 have been followed.

These condensed interim financial statements do not include all the information required for full financial statements and should be read in conjunction with the annual financial statements for the year ended June 30, 2018.

2.1 Changes in accounting standards, interpretations and pronouncements

a) Standards, interpretations and amendments to published approved accounting standards that are effective and relevant

IFRS 15 'Revenue from contracts with customers' - IFRS 15 replaces the previous revenue standards: IAS 18 Revenue, IAS 11 Construction Contracts, and the related interpretations on revenue recognition.

IFRS 15 introduces a single five-step model for revenue recognition and establishes a comprehensive framework for recognition of revenue from contracts with customers based on a core principle that an entity should recognise revenue representing the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

As a result of application of IFRS 15, bonus stock claims amounting to Rs. 107.84 million (2017: Rs. 101.54 million) treated as Cost of sales have now been reclassified as deductions from Revenue.

b) Standards, interpretations and amendments to published approved accounting standards that are effective and relevant

There are certain new standards, amendments to the approved accounting standards and new interpretations that are mandatory for accounting periods beginning on or after January 1, 2018, but are considered not to be relevant or have any significant effect on the Company's reporting and are therefore, not disclosed in these consolidated condensed interim financial statements.

c) Standards, interpretations and amendments to published approved accounting standards that are not yet effective but relevant

The following is the new standard, amendment to existing approved accounting standards and new interpretations that will be effective for the periods beginning on or after July 1, 2019 that may have an impact on the financial statements of the Company.

IFRS 16 'Leases' - IFRS 16 replaces the previous lease standard: IAS 17 Leases. It will result in almost all leases being recognised on the statement of financial position, as the distinction between operating and finance leases is removed.

Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short term and low value leases.

Further, IFRS 9 'Financial Instruments' (previously applicable from annual periods beginning on or after July 1, 2018). This standard replaces the guidance in IAS 39. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the current incurred loss impairment model. However, SECP through SRO 229(I)/2019 dated February 14, 2019 has deferred the application of IFRS 9 till June 30, 2019.

The management is in the process of assessing the impact of changes laid down by these standards on its financial statements.

3. SIGNIFICANT ACCOUNTING INFORMATION AND POLICIES

The accounting policies and method of computations adopted in the preparation of these unconsolidated condensed interim financial statements are the same as those applied in the preparation of the financial statements for the year ended June 30, 2018.

4. ACCOUNTING ESTIMATES, JUDGEMENTS AND FINANCIAL RISK MANAGEMENT

The preparation of this consolidated condensed interim financial information in conformity with approved accounting standards requires management to make estimates, assumptions and use judgements that affect the application of policies and reported amounts of assets and liabilities and income and expenses. Estimates, assumptions and judgements are continually evaluated and based on historical experience and other factors, including reasonable expectations of future events. Revisions to accounting estimates are recognised prospectively commencing from the period of revision.

Judgements and estimates made by the management in the preparation of this consolidated condensed interim financial information are the same as those that were applied to the annual audited consolidated financial statements as at and for the year ended June 30, 2018.

The Company's financial risk management objectives and policies are consistent with those disclosed in the annual audited consolidated financial statements as at and for the year ended June 30, 2018.

(Unaudited) December 31, 2018	(Audited) June 30, 2018
--	-------------------------------

(Rupees in '000)

5. PROPERTY, PLANT AND EQUIPMENT

Operating assets - note 5.1
Capital work-in-progress - at cost

2,080,149	1,792,837
775,597	899,687
<u>2,855,746</u>	<u>2,692,524</u>

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

For the half year ended December 31, 2018 - Unaudited

- 5.1** Details of additions in operating assets including transfers from capital work-in-progress during the period are as follows:

	Additions (at cost)		Disposals (at net book value)	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
	----- (Rupees in '000) -----			
Leasehold land	-	142,937	-	-
Building on leasehold land	96,217	36,548	-	-
Plant and machinery	228,991	133,091	-	-
Furniture and fixtures	1,181	4,199	-	-
Vehicles	16,754	16,560	-	(4,376)
Office equipment	36,024	27,083	(10)	(4)
	379,167	360,418	(10)	(4,380)

(Unaudited) (Audited)
December 31, June 30,
2018 2018
(Rupees in '000)

6. LONG TERM LOANS AND ADVANCES - unsecured

Loans - considered good

- Ultimate Parent Company - note 6.1

Less: current portion of long term loan

- Other Related parties

- Employees

Less: current portion employee loan

52,875	62,750
(36,491)	(36,512)
16,384	26,238
1,746,100	1,630,600
275	1,747
(17)	(1,573)
258	174
1,762,742	1,657,012

- 6.1** This represents loan to International Brands Limited. The tenure of this loan is 5 years with a grace period of 1 year payable in equal semi-annual installments. The rate of mark-up is 12 months KIBOR+1%. The said loan was approved in the extra ordinary general meeting of IBL HealthCare Limited held on January 14, 2015 as per the requirements of section 208 of the Companies Ordinance, 1984.

	(Unaudited) December 31, 2018	(Audited) June 30, 2018
	(Rupees in '000)	
7. TRADE RECEIVABLES		
Considered good		
- Export receivables, secured	261,673	182,894
- Due from related parties, unsecured - note 7.1	3,870,168	3,157,294
- Others, unsecured	1,204,068	1,019,670
	5,335,909	4,359,858
Considered doubtful - others	155,173	155,173
Less: Provision for doubtful receivables	(155,173)	(155,173)
	-	-
	5,335,909	4,359,858

- 7.1** The receivable is stated net of amount payable to IBL Operations (Private) Limited and United Brands Limited - associated companies amounting to Rs. 222.74 million (June 30, 2018: Rs. 338.6 million) and Nil (June 30, 2018: Rs. 5.88 million) respectively.

	(Unaudited) December 31, 2018	(Audited) June 30, 2018
	(Rupees in '000)	
8. LOANS AND ADVANCES		
Loans to International Brands Limited		
- Current portion of long term loan - note 6.1	36,474	36,512
- Short term loan - note 8.1	200,000	200,000
	236,474	236,512
- Current portion of employee loan	17	1,573
Advances		
- To employees	102,903	112,082
- Against imports	164,737	71,546
- Suppliers	819,346	459,474
- Related party		1980
	1,086,986	645,082
	1,323,477	883,167

- 8.1** This loan is repayable within 1 year and carries mark-up at the rate of 12 months KIBOR + 2% per annum. The said loan was approved in the extra ordinary general meeting of IBLHC, held on May 18, 2016 as per the requirements of section 208 of the Companies Ordinance, 1984. The loan has been further extended for a period of one year effective July 01, 2017.

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

For the half year ended December 31, 2018 - Unaudited

	(Unaudited) December 31, 2018	(Audited) June 30, 2018
(Rupees in '000)		
9. OTHER RECEIVABLES		
Receivables from related parties		
Due from associated companies:		
- IBL Operations (Private) Limited	22,500	26,642
- International Franchises (Private) Limited	3,222	4,313
- United Franchises (SMC-Private) Limited	-	634
- International Brands Limited	-	15,963
	25,722	47,552
Due from other related party:		
- Habitt	58,063	179,099
Surplus arising under retirement benefit fund	5,250	5,250
Receivables from other than related parties		
Others, considered good - note 9.1	744,134	86,566
	833,169	318,467

9.1 This includes Rs. 318.95 million claimed by the Company from Zhejiang Huahai Pharmaceuticals, China (ZHP) relating to its product ""Extor"". On July 12, 2018, the Drug Regulatory Authority of Pakistan in response to a review triggered by the European Medicine Agency (EMA) issuing drug re-call for ""Valsartan"" containing products due to the presence of cancer causing impurities. Accordingly, the Company re-called finished product ""Extor"" amounting to Rs. 221.95 million from the local markets and Rs. 97 million from the International markets.

Further, the Company has lodged an overall claim of Rs. 881.05 million from ZHP in respect of the overall business loss which has not yet been recorded in these condensed interim financial statements. The Company is in the process of discussion for recovery of the losses from ZHP.

10. INVESTMENTS - AT FAIR VALUE THROUGH PROFIT OR LOSS

(Unaudited) December 30, 2018	(Audited) June 30, 2018	(Unaudited) December 30, 2018	(Audited) June 30, 2018
Number of units		Rupees '000	
-	-	-	-
-	-	-	-
-	5,505,230	-	55,008
-	14,709	-	774
-	5,519,939	-	55,782

11. SHARE CAPITAL

Issued, subscribed and paid up capital

(Unaudited) December 31, 2018 (Number of shares)	(Audited) June 30, 2018		(Unaudited) December 31, 2018 (Rupees in '000)	(Audited) June 30, 2018 (Rupees in '000)
12,553,074	12,553,074	Shares allotted for consideration paid in cash	125,531	125,531
24,000	24,000	Shares allotted for consideration other than cash	240	240
199,848,171	172,140,532	Shares allotted as bonus shares	1,998,483	1,721,405
212,425,245	184,717,606		2,124,254	1,847,176

11.1 Movement in issued, subscribed and paid-up share capital

(Unaudited) December 31, 2018 (Number of shares)	(Audited) June 30, 2018		(Unaudited) December 31, 2018 (Rupees in '000)	(Audited) June 30, 2018 (Rupees in '000)
184,717,606	153,931,338	Opening shares outstanding	1,847,177	1,539,314
27,707,639	30,786,268	Share allotted as bonus shares	277,076	307,863
212,425,245	184,717,606		2,124,253	1,847,177

12. TRADE AND OTHER PAYABLES

	(Unaudited) December 31, 2018 (Rupees in '000)	(Audited) June 30, 2018 (Rupees in '000)
Creditors	1,611,947	1,000,419
Bills payable in foreign currency	546,120	683,284
Royalty payable	22,847	24,761
Accrued liabilities	1,002,229	866,232
Payable to provident fund	34,223	33,850
Advance from customers	32,267	40,217
Accrued markup	79,017	35,460
Taxes deducted at source and payable to statutory authorities	55,217	82,682
Workers' Profit Participation Fund	252,835	174,379
Workers' Welfare Fund	26,281	24,128
Other liabilities	70,110	108,247
	3,733,093	3,073,659

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

For the half year ended December 31, 2018 - Unaudited

	(Unaudited) December 31, 2018	(Audited) June 30, 2018
	(Rupees in '000)	
13. BORROWINGS		
Loans from banks, secured:		
- Running finance under mark-up arrangements - note 13.1	3,347,427	2,323,478
- Export re-finance - note 13.2	100,000	-
	3,447,427	2,323,478
Current portion of long term borrowing	107,143	214,285
	3,554,570	2,537,763

13.1 The Company has entered into running finance under mark-up arrangements from various banks amounting to Rs. 3,325 million (June 30, 2018: 2,875 million) which include financing facilities obtained under Islamic mode amounting to Rs. 2,825 million (June 30, 2018: 2,725 million). The arrangements are secured jointly by registered mortgage of Rs. 325.9 million (June 30, 2018: 325.9 million) of immovable property together with joint passu charge on all current assets of the Company to the extent of Rs. 2,850 million (June 30, 2018: 2,850 million) in favour of Standard Chartered Bank (Pakistan) Limited (the lead bank).

13.2 The rates of mark-up ranged between 3% to 9.82% per annum.

14. CONTINGENCIES AND COMMITMENTS

14.1 Contingencies

14.1.1 There has been no significant change in the status of contingencies as reported in note 24 of the annual audited financial statements of the Company for the year ended June 30, 2018.

14.2 Commitments

14.2.1 The facility for opening letters of credit and guarantees as at December 31, 2018 amounted to Rs. 1,920 million (June 30, 2018: Rs. 1,905 million) of which the amount remaining unutilised as at the period end amounted to Rs. 958.4 million (June 30, 2018: Rs. 1,527 million).

14.2.2 Future rentals payable against operating lease arrangements

The Company had entered into lease arrangements with Myplan Pharmaceuticals (Private) Limited and S. A. Pharma, a pharmaceutical concern, respectively, for a period of 20 years for land, building and plant and machinery located at Lahore.

During the period, the Company has entered into lease arrangement with First UDL Modaraba for a period of 5 years for land, building and plant and machinery located at Bin Qasim, Karachi.

The details of future rentals payable over the lease period are as follows:

	(Unaudited) December 31, 2018	(Audited) June 30, 2018
	(Rupees in '000)	
Not later than one year	28,568	16,368
Later than one year but not later than five years	141,590	89,201
Later than five years	104,424	114,889
	<u>274,582</u>	<u>220,458</u>
	December 31, 2018	December 31, 2017
	(Rupees in '000)	
15. REVENUE		
Gross sales		
Local sales - note 15.1	8,599,217	7,761,185
Export sales	981,151	740,779
	<u>9,580,368</u>	<u>8,501,964</u>
Toll manufacturing	156,727	170,507
	<u>9,737,095</u>	<u>8,672,471</u>
Sales tax	(234,385)	(66,467)
	<u>9,502,710</u>	<u>8,606,004</u>
Less:		
Discounts, rebates and allowances	626,613	561,202
Sales returns	104,570	161,451
	<u>731,183</u>	<u>722,653</u>
	<u>8,771,527</u>	<u>7,883,351</u>

15.1

Consequent to Order 4480/2018 dated August 3, 2018 issued by the Honourable Supreme Court of Pakistan, the Drug Regulatory Authority of Pakistan (DRAP) fixed maximum retail price of drugs vide notification S.R.O 1610/2018 dated December 31, 2018. Subsequent to the period end, DRAP vide Notification S.R.O 34(1)/2019 dated January 10, 2019 increased the maximum retail prices of drugs by nine percent over and above the maximum retail prices as determined under hardship category during the year 2018 and fifteen percent over and above existing maximum retail prices determined under Drug Pricing Policy, 2018 for drugs other than those specified under hardship category. Also the Honourable High Court of Sindh vide Order dated January 22, 2019 has disposed of all the legal cases of the Company against DRAP.

In respect of the increased prices as mentioned above, the Company has recently filed appeals with the Appellate Board of DRAP relating to certain of its products where the Company is aggrieved that the prices as per DRAP are not appropriate.

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

For the half year ended December 31, 2018 - Unaudited

16. COST OF SALES

This includes inventory written-off during the period amounting to Rs. 6.6 million (December 31, 2017: Rs. 0.2 million)

December 31, December 31,
2018 2017
(Rupees in '000)

17. OTHER INCOME

Income from financial assets

Realised gain on investments - at fair value through profit or loss
Unrealised gain on investments - at fair value through profit or loss
Interest on loan to International Brands Limited
Dividend income

308	500
-	615
10,772	10,475
17	6
11,097	11,596

Income from non - financial assets

Gain on disposal of property, plant and equipment
Insurance claim recovery
Rental income from investment properties
Others

-	4,916
-	959
57,294	44,768
7,092	8,949
64,386	59,592
75,483	71,188

18. BASIC AND DILUTED EARNINGS PER SHARE

Profit for the period

1,299,176	1,708,665
------------------	-----------

Weighted average number of outstanding shares at the end of the period (in thousand) - Restated

212,425	212,425
----------------	---------

Basic and diluted earnings per share (Rupees) - Restated

6.12	8.04
-------------	------

	December 31, 2018	December 31, 2017
	(Rupees in '000)	
19. CASH GENERATED FROM OPERATIONS		
Profit before income tax	1,567,527	1,997,634
Add / (less): Adjustments for non-cash charges and other items		
Depreciation	127,159	99,412
Loss / (gain) on disposal of property, plant and equipment	10	(4,916)
Amortisation	21,963	19,162
Provision for retirement benefits obligation	2,250	2,700
Unrealised gain on investments - at fair value through profit or loss	-	(615)
Realised gain on investments - at fair value through profit or loss	(308)	(500)
Dividend income	(17)	(6)
Interest income	(10,772)	(10,475)
Finance cost	216,606	83,281
Profit before working capital changes	1,924,418	2,185,677
Effect on cash flow due to working capital changes		
(Increase) / decrease in current assets		
Inventories	(259,282)	(768,009)
Trade receivables	(976,051)	(339,023)
Loans and advances	(440,310)	(379,288)
Trade deposits and short-term prepayments	(13,016)	(65,587)
Tax refunds due from government - Sales tax	16,333	5,034
Other receivables	(514,702)	74,400
	(2,187,028)	(1,472,473)
Increase / (decrease) in current liabilities		
Trade and other payables	615,876	1,090,654
Sales tax payables	-	-
	615,876	1,090,654
Cash generated from operations	353,266	1,803,858
20. CASH AND CASH EQUIVALENTS		
Cash and bank balances	235,007	167,072
Short term running finances - note 13	(3,347,427)	(1,511,222)
	(3,112,420)	(1,344,150)

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

For the half year ended December 31, 2018 - Unaudited

21. SEGMENT INFORMATION

The financial information regarding operating segments is as follows:

	Pharmaceutical		Consumer		Total	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
	----- (Rupees in '000) -----					
Segment revenue	7,006,010	6,134,337	1,765,517	1,749,014	8,771,527	7,883,351
Segment result	1,437,703	1,648,184	362,302	469,928	1,800,005	2,118,112
Unallocated income and expenses						
Other expenses					(91,321)	(108,385)
Other income					75,449	71,188
Finance cost					(216,606)	(83,281)
Profit before taxation					1,567,527	1,997,634
Taxation					(255,636)	(277,724)
Total comprehensive income					1,311,891	1,719,910

	Pharmaceutical		Consumer		Total	
	December 31, 2018	June 30, 2018	December 31, 2018	June 30, 2018	December 31, 2018	June 30, 2018
	----- (Rupees in '000) -----					
Segment assets and liabilities						
Segment assets	622,709	394,351	23,209	108,080	645,918	502,431
Unallocated assets					18,964,341	16,746,821
Total assets					19,610,259	17,249,252
Segment liabilities	-	-	-	-	-	214,285
Unallocated liabilities	-	-	-	-	7,785,428	5,583,394
Total liabilities					7,785,428	5,797,679

22. TRANSACTIONS WITH RELATED PARTIES

The following transactions were carried out with related parties during the period :

Nature of relationship	Nature of transactions	December 31, 2018	December 31, 2017
(Rupees in '000)			
Holding company	- Corporate service charges	108,000	84,000
	- Rent income	4,551	-
	- Income from provision of amenities	3,810	-
Associated companies	- Revenue	5,819,934	483,828
	- Salaries and wages	305	547
	- Purchases	2,334	2,008
	- Carriage and duties	28,865	19,716
	- Discounts claimed	289,952	197,079
	- Rent expense	8,175	2,678
	- Rent income	30,711	24,168
	- Income from provision of amenities	4,036	16,135
	- Stock claims	114,565	91,544
	- Internet services	3,089	2,557
	- Architect fee	-	1,568
	- Repair and maintenance	5,893	-
	- ERP maintenance charges	25,072	1,203
	- Donation	5,300	15,000
	- Incentives to field force staff	2,403	3,225
	- Merchandise expense	49,179	-
- Others	-	549	
Staff retirement benefits	- Contributions to Provident Fund	51,669	21,266
	- Benefits paid	33,046	26,011
Key management employees compensation	- Salaries and other employee benefits	78,901	192,851
	- Contributions to Provident Fund	7,796	1,532
	- Directors' fees	15	408
	- Sale of goods	67	57

22.1 The status of outstanding balances with related parties as at December 31, 2018 is included in the respective notes to the financial statements. These are settled in the ordinary course of business.

23. CORRESPONDING FIGURES

Corresponding figures have been rearranged for better presentation and comparison purpose, wherever considered necessary. However, there is no material reclassification.

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

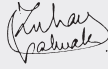
For the half year ended December 31, 2018 - Unaudited

24. DATE OF AUTHORISATION FOR ISSUE

This consolidated condensed interim financial information was approved and authorised for issue by the Board of Directors of the Company on February 28, 2019 .



Chief Executive Officer



Director



Chief Financial Officer



SEARLE

THE SEARLE COMPANY LIMITED

1st Floor, N.I.C Building, Abbasi Shaheed Road, Karachi-75530

URL: www.searlecompany.com